



**Blue Grass Energy
Cooperative Corporation**

PO Box 990
1201 Lexington Road
Nicholasville, Kentucky 40340-0990
Phone: (859) 885-4191
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RECEIVED

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**PUBLIC SERVICE
COMMISSION**

November 17, 2005

Beth O'Donnell Executive Director
Kentucky Public Service Commission
P O Box 615
Frankfort Kentucky 40602

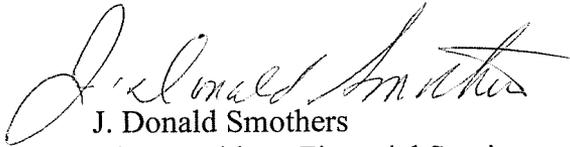
Dear Ms. O'Donnell,

We are filing as requested information that was requested by the Kentucky Public Service Commission in case no. 2005-00330 dated November 5, 2005. We asked permission to deviate from the filing requirements for 807 KAR 5:001, section 10(1)(b)(5), 10(6)(b), 10(6)(h), and 10(6)(i). These were denied. Also we are refiling the tariff with a new proposed effective date. Attached is the information requested indexed by item number as follows:

- | | |
|--------|---|
| Item 1 | 807 KAR 5:001, section 10(1)(b)(5) Certificate of Good Standing. |
| Item 2 | 807 KAR 5:001 section 10(6)(b) Testimony from Ken Carpenter, Consultant. |
| Item 3 | 807 KAR 5:001 section 10(6)(h) Summary Determination of Revenue Requirements. |
| Item 4 | 807 KAR 5:001 section 10(6)(i) Reconciliation of Rate Base and Capital. |
| Item 5 | Tariff |

We are filing an original and 10 copy. If you have any questions, please contact me at (859) 885-2118. As always, your continued assistance and cooperation is appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Donald Smothers".

J. Donald Smothers
Vice President, Financial Services

CC: Ken Carpenter, Consultant
Gardner F. Gillespie, Hogan & Harston, LLP
Frank F. Chuppe, Wyatt, Tarrant & Combs, LLP
Dennis G. Howard II, Assistant Attorney General
Elizabeth E. Blackford, Assistant Attorney General

Commonwealth of Kentucky
Trey Grayson
Secretary of State

Certificate of Existence

I, Trey Grayson, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records of the Office of the Secretary of State,

BLUE GRASS ENERGY COOPERATIVE CORPORATION

is a nonprofit corporation duly incorporated and existing under KRS Chapter 273, whose date of incorporation is January 1, 2002 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of state have been paid; that articles of dissolution have not been filed; and that the most recent annual report required by KRS 273.3671 has been delivered to the Secretary of State.

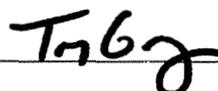
IN WITNESS THEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 8th day of November, 2005.

Certificate Number: 22296

Jurisdiction: Kentucky Public Service Commission

Visit <http://apps.sos.ky.gov/business/obdb/certvalidate.aspx> to validate the authenticity of this certificate.





Trey Grayson
Secretary of State
Commonwealth of Kentucky
22296/0526514

- **NAME, POSITION AND ADDRESS**

Kenneth D. Carpenter, I am a consultant for Electric Cooperatives in Kentucky and Tennessee. My address is 594 Providence Drive, Jefferson City, Tennessee 37760.

- **DESCRIPTION OF BACKGROUND**

I have attached a copy of my resume of my past experience.

- **PURPOSE OF FILING THIS ATTACHMENT**

The purpose for this attachment is to explain the methodology used in calculating the pole attachment cost and to establish new rates for attachments for Blue Grass Energy.

The Commission adopted Administrative Case No. 251 in 1982 which set forth the methodology for calculating the rates that electric cooperatives may use for setting a charge for pole attachments by cable television providers. The methodology set forth identified two party and three party attachment situations.

When calculation was made for Blue Grass Energy, we took 35 foot and 40 foot poles for the two party attachments and 40 foot and larger poles for three party attachments. The cost multiplied by the annual carrying charges and then multiplied by the PSC usage factor of .1224 to arrive at the annual pole charge for CATV attachments. The multiplier of .0759 was used to arrive at the cost for attachments for three party pole attachment situations.

Ground and anchor charges are figured in a same manner.

The carrying charges for maintenance and operations, in addition to administrative overhead cost are calculated as the ratio of the cooperative's expense to gross plant investment as set forth by the PSC. The rate of return used in the calculation is the return allowed by the Commission in the last rate case.

The methodology used in calculating the annual carrying charge is the same as procedure authorized by the Commission when Administrative Case 251 was approved in 1982.

A history of actual in plant pole, ground and anchor cost was included in the original filing by Blue Grass Energy.

KENNETH DOYAL CARPENTER
594 PROVIDENCE DRIVE
JEFFERSON CITY, TN 37760
Phone: 865-471-7575 Cell 865-310-2026
E-mail: kencd@charter.net

Education

1963-1967 **Carson-Newman College**

 Jefferson City, TN

 BS - Business Administration

Work Experience

1966 – 1967 **Morristown School of Business**

1967 – 1997 **Retired General Manager - Executive Vice - President**

 Appalachian Electric Cooperative

 Jefferson City, TN 37760

Started working at Appalachian Electric in the Accounting Department while being a student at Carson – Newman and teaching night classes at Morristown School of Business. Worked to become Office Manager, Director of Finance, Assistant General Manager and General Manager Executive Vice President. Successfully oversaw all phases of operations.

1998 – 2001 **President/CEO**

 Harrison Electric Cooperative

 Cynthiana, KY 41031

Served as President/CEO of Harrison RECC in a time of financial trouble and was able to turn the Cooperative around and made it beneficial and profitable to the members. Provide leadership in consolidating Harrison RECC with Blue Grass Energy that resulted in a rate decrease and the refund of more than \$5M of capital credits to the members of Harrison RECC.

2002 - 2004

Senior Vice – President

Blue Grass Energy

Nicholasville, KY 40340

Served as Senior Vice President – Blue Grass Energy and provided leadership over the four districts operations to see that all districts were providing the same quality of service. One of the largest Electric Cooperatives in Kentucky, serving an area from Richmond, KY to the Ohio River.

2004

Retired. Moved back to Jefferson City, TN.

Presently

I am in the consulting business to electrical utilities.

Accreditations

Past President – Board of Directors - East Tennessee Industrial Development Association

Provided Leadership in organizing the Jefferson County Chamber of Commerce and served on the Board of Directors several terms as well as President of the Chamber.

Director - Tennessee Valley Public Power Association, Chattanooga, TN. Served as Secretary/Treasurer for 5 years.

Director – Tennessee Electric Cooperative Association, Nashville, TN.

Director – Union Planters Bank – East Tennessee, Morristown, TN.

Director – Kentucky Association of Electric Cooperatives, Louisville, KY.

Director – East Kentucky Power Cooperative, Winchester, KY.

Represented all Electric Cooperatives in East Tennessee on TVA Rates and Contracts Committee.

Participated in NRECA Legislative Conference for more than 30 years.

Certified Utility Manager and Director through National Rural Electric Cooperative Association Training Program.

Marital Status

Married to Sharon Payne Carpenter.

Blue Grass Energy Cooperative
Case No. 2005-00330
Computation of Rate of Return
December 31, 2004

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	<u>Actual</u> <u>Test Year</u>	<u>Adjustments</u>	<u>Adjusted</u> <u>Test Year</u>
Net margins	\$830,572	33,574	\$864,146
Non-cash patronage dividends	0		0
Interest on long-term debt	<u>2,744,950</u>		<u>2,744,950</u>
Total	<u>3,575,522</u>	<u>33,574</u>	<u>3,609,096</u>
Net rate base	<u>113,696,221</u>		<u>113,696,221</u>
Rate of return	<u>3.14%</u>		<u>3.17%</u>
Equity Capitalization	<u>103,086,621</u>		<u>103,086,621</u>
Rate of return	<u>3.47%</u>		<u>3.50%</u>

Contact:
Donald Smothers

Blue Grass Energy Cooperative
Case No. 2005-00330
TIER and DSC
December 31, 2004

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	<u>Actual</u> <u>Test Year</u>	<u>Adjustments</u>	<u>Adjusted</u> <u>Test Year</u>
TIER Calculations			
Margins, excluding G&T			
capital credits and extraordinary it	\$830,572	33,574	\$864,146
Interest on long term debt	2,744,950		2,744,950
TIER	1.30		1.31
DSC Calculations			
Margins, excluding G&T			
capital credits	\$830,572		\$864,146
Depreciation expense	4,330,680		4,330,680
Interest on long term debt	2,744,950		2,744,950
Principal payment on			
long term debt	3,395,392		3,395,392
DSC	1.29		1.29
DSC = (Margins + depreciation + interest / interest + principal payments)			
Contact: Donald Smothers			

Blue Grass Energy Cooperative
Case No. 2005-00330
Reconciliation of Rate Base and Capital
December 31, 2004

Reconciliation of Rate Base and Capital are as follows:

Equity Capitalization, with	
G&T capital credits	120,590,312
G&T capital credits	<u>(17,503,691)</u>
	103,086,621
Reconciling items:	
Capital credits from associated organizations	
(Allocated but unpaid)	(4,055,973)
Working capital requirements	1,581,569
Cash	(1,556,352)
Receivables	(5,075,115)
Other deferred debits	(406,144)
Accumulated operating provisions	5,138,927
Short term borrowings	5,850,000
Accounts payable	6,717,552
Consumer deposits	932,904
Accrued expenses	1,482,232
	<hr/>
Net Rate Base	<u><u>113,696,221</u></u>

Contact:
Donald Smothers

Blue Grass Energy Cooperative
Case No. 2005-00330
Determination of Rate Base
December 31, 2004

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Actual
Test Year

Gross rate base:

Total electric plant	\$144,292,823
Material and supplies	929,951
Prepayments	517,207
Working capital:	
12.5% of operating expense	
less cost of power	<u>1,581,569</u>

147,321,550

Deductions from rate base:

Accumulated depreciation	32,838,985
Consumer advances	<u>786,344</u>

Net rate base \$113,696,221

Contact:
Donald Smothers

Blue Grass Energy Cooperative
Case No. 2005-00330
Equity Capitalization
December 31, 2004

Actual
Test Year

Equity Capitalization:
without G&T patronage capital

Total margins and equities	\$43,662,726
Less G&T Patronage capital	<u>17,503,691</u>
	26,159,035
Long-term debt	<u>76,927,586</u>
Total	<u><u>\$103,086,621</u></u>

Equity capitalization ratio 25%

Equity Capitalization:
with G&T patronage capital

Total margins and equities	\$43,662,726
Long-term debt	<u>76,927,586</u>
Total	<u><u>\$120,590,312</u></u>

Equity capitalization ratio 36%

Equity to Total Assets:
with G&T patronage capital

Total margins and debt	\$120,590,312
Total assets	<u>141,498,271</u>
Total	<u><u>\$262,088,583</u></u>

Equity to total asset ratio 46%

Contact:
Donald Smothers

*Item 5
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CLASSIFICATION OF SERVICE

Cable Television Attachment Rate

APPLICABILITY

In all territory served by the company on poles owned and used by the company for their electric plant.

AVAILABILITY

To all qualified CATV operators having the right to receive service.

RENTAL CHARGE

The yearly rental charges shall be as follows:

Two-party pole attachment	\$ 7.40	(I)
Three-party pole attachment	\$ 5.34	(I)
Two-party anchor attachment	\$18.17	(I)
Three-party anchor attachment	\$12.10	(I)
Two-party grounding attachment	\$ 1.47	(I)
Three-party grounding attachment	\$ 0.91	(I)

Pedestal attachment = Same as respective pole charges.

DATE OF ISSUE: November 17, 2005

DATE EFFECTIVE: January 1, 2006

ISSUED BY: *Don Brewer* TITLE: President/CEO
(Name of Officer) *by Donald Smothers*

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____